

APPENDIX VI A

DATE REQUIREMENTS FOR THE OCCUPANCY LEVEL MAXIMUM

<u>DATA</u>	<u>SOURCE</u>
1. Total Inpatient Days (Excluding Nursery Days)	1. Settlement Year Supplemental Worksheet I, Part III, Total Patient Days Column.
2. Total Bed Days Available	2. Settlement Year Supplemental Worksheet I, Part III, Total Approved Beds Column x 365 Days.
3. Occupancy Level Maximum	3. Bureau Handout.
4. All Routine Service and Special Care Unit Cost Center Costs, As Applicable	4. Settlement Year Medicare Cost Report, Worksheet B, Last Column, Cost Centers As Applicable.
5. Fixed Costs Percentage	5. Settlement Year Rate Calculation Form, Form F, Line 26, Column 3.
6. Net Operating Expenses	6. Settlement Year Medicare Cost Report, Worksheet B, Last Column, Last Line.
7. Outpatient Expenses	7. Settlement Year Medicare Cost Report, Worksheet C, Line 37A, Outpatient Columns As Applicable.
8. Medicaid Inpatient Expenses	8. Settlement Year Medicaid Cost Report, Worksheet E-5, Part I, Line 9 and Line 10.

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APPENDIX VI B

EXAMPLE OF OCCUPANCY LEVEL MAXIMUM

<u>Hospital</u>	<u>City</u>	<u>FYE</u>	<u>Bed Size</u>
St. Anywhere	Milwaukee	12/84	218

1.	Total Patient Days	50,129
	Total Bed Days Available	79,570
	Overall Percentage Occupancy	63.00%
	Peer Group 60th Percentile	
	(Urban Hospital, 100 Beds)	68.50%
	Fixed Costs Percentage	40.00%
	Routine & Special Care	
	Costs	\$10,150,000

2. Determine the percentage effect of the excess fixed costs over the maximum.

$$1 - \frac{63.00\%}{68.50\%} = \underline{8.03\%}$$

3. Determine excess fixed costs in the following manner.

[Routine + Special Care Costs x Fixed Costs % x Excess Fixed Costs %]

$$\$10,150,000 \times 40\% \times 8.03\% = \$326,018$$

4. Determine the overall percentage effect of the occupancy target, assuming total inpatient costs of \$21,000,000.

$$\frac{\$326,018}{\$21,000,000} \text{ Excess Fixed Costs} = \underline{1.5525\%}$$

Total Inpatient Costs

5. Determine the Medicaid effect of excess fixed costs above the occupancy level target, assuming Medicaid inpatient costs of \$1,900,000.

Medicaid Inpatient Costs x Excess Fixed Costs % = Medicaid Excess Fixed Costs =

$$\$1,900,000 \times 1.5525\% = \underline{\underline{\$29,498.}}$$

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APPENDIX VII
(A)

Example of Inpatient Rate Calculation Under State Plan

Step I

Interim Prospective Rate for FYE 6/30/84.

ASSUMPTIONS:

1.	<u>Allowable Cost Categories</u>	<u>From 1981 T-19 Cost Report</u>	<u>Allowable Index Increase</u>	<u>1984 Allowable Costs</u>
	Salaries	\$3,300,000	29%	\$4,257,000
	Fringe Benefits	500,000	27%	635,000
	Professional Fees (% of Charges)	300,000	29%	387,000
	Supplies	900,000	28%	1,152,000
	Utilities	400,000	17% *	468,000
	Depreciation	250,000	-	250,000
	Interest	50,000	-	50,000
	Malpractice Insurance	20,000	-	20,000
	Rents & Leases	25,000	-	25,000
	Property Taxes	-	-	-
	All Other	<u>255,000</u>	27%	<u>324,000</u>
	Total	<u>\$6,000,000</u>		<u>\$7,568,000</u>

*Indexed for interim rate purposes only. Pass through on final rate.

2. Unadjusted Allowable Cost Increase = $\frac{\text{Projected Year Costs}}{\text{Base Year Costs}}$

$$\frac{\$7,568,000}{6,000,000} = 1.2613$$

Base Year

3. Average Inpatient Medicaid Cost/Discharge \$1,200
Total Discharges 4,500

4. In all instances, total charges exceed total costs.

5. The hospital meets all occupancy criteria.

Calculation of the interim all-inclusive rate per discharge.

Average Cost/Discharge (Base Year) \$1,200
Times: Hospital Cost Index 1.2613
Interim Prospective Allowable Rate/Discharge \$1,514

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APPENDIX VII (Continued)
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Step I (Continued)

6. The hospital is not subject to any base year target adjustments.
7. Calculation of the interim all-inclusive Medicaid rate per discharge.

Average Cost/Discharge (Base Year)	\$1,200
Times: Hospital Cost Index	1.2613
Interim Prospective Allowable Rate/Discharge	\$1,514

Step II

Final Settlement For FYE 6/30/82

Assumptions:

1. Allowable Cost Categories	From 1981 T-19 Cost Report	Allowable Index Increase	1984 Allowable Costs
Salaries	\$3,300,000	28.5 %	\$4,240,500
Fringe Benefits	500,000	28 %	640,000
Professional Fees (% of Charges)	300,000	29 %	387,000
Supplies	900,000	28.75%	1,158,750
Utilities	400,000	19 %	476,000
Depreciation	250,000	-	275,000
Interest	50,000	-	50,000
Malpractice Insurance	20,000	-	25,000
Rents and Leases	25,000	-	25,000
Property Taxes	-	-	-
All Other	255,000	26.8 %	323,340
Total	<u>\$6,000,000</u>		<u>\$7,600,590</u>

2. Adjusted Allowable Cost Increase = $\frac{\text{Final Settlement Year Costs}}{\text{Base Year Costs}}$

$$\frac{\$7,600,590}{6,000,000} = 1.2668$$

3. Fixed Costs 40%
Variable Costs 60%
Total Costs 100%

4. Settlement Year Total Patient Discharges: 4,600

5. There Is No Change In Patient Mix.

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APPENDIX VII (Continued)
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Step II (Continued)

6. There are 400 Medicaid discharges, per the fiscal intermediary's audit.
Calculation of the final settlement all-inclusive rate per discharge.

Allowable Change in Rate Per Discharge

$$1.2668 \times \frac{4,500 + [.60 (4,600 - 4,500)]}{4,600} = \underline{1.2558}$$

Allowable Rate/Discharge = Base Year Rate/Discharge
X Adjusted Index

$$= \$1,200 \times 1.2558$$
$$= \underline{\underline{\$1,507}}$$

Final Settlement due Provider Subject to Cost Report Audit:

T-19 Discharges X (Final Settlement Rate Per Discharge
- Interim Rate Per Discharge)

$$400 \times (1,507 - 1,514) = \underline{\underline{-\$2,800}}$$

Step III

Audited Final Settlement Year (FYE 6/84)

Medicaid Inpatient Costs	<u>\$650,000</u>
Medicaid Discharges	<u>400</u>
Medicaid Inpatient Cost/Discharge	<u><u>\$1,625</u></u>

Therefore, the hospital would be held to a rate per discharge of \$1,507 (Step II), the lower of Step II or Step III. Hence, the final settlement results in a repayment of \$2,800 to the state by the hospital.

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APPENDIX VII

(B)

Second Example of Inpatient Rate Calculation Under State Plan

Step I

Interim Prospective Rate for FYE 12/31/84.

ASSUMPTIONS:

1.	<u>Allowable Cost Categories</u>	<u>From FYE 12/81 T-19 Cost Report</u>	<u>Allowable Index Increase</u>	<u>1984 Allowable Costs</u>
	Salaries	\$4,000,000	29%	\$5,160,000
	Fringe Benefits	650,000	30%	845,000
	Professional Fees			
	(% of Charges)	200,000	25%	250,000
	Supplies	1,000,000	25%	1,250,000
	Utilities	450,000	20%*	540,000
	Depreciation	400,000	-	500,000
	Interest	100,000	-	120,000
	Malpractice Insurance	30,000	-	50,000
	Rents & Leases	-		-
	Property Taxes	-		-
	All Other	370,000	22%	451,400
	<u>Total</u>	<u>\$7,200,000</u>		<u>\$9,166,400</u>

*Indexed for interim rate purposes only. Pass through on final rate.

2. Unadjusted Allowable Cost Increase = $\frac{\text{Projected Year Costs}}{\text{Base Year Costs}}$

$\frac{\$9,166,400}{7,200,000} = 1.2731$

3.	Base Year Medicaid Cost/Discharge	\$1,350
	Total Discharges	5,100

4. In all instances, total charges exceed total costs.

5. The hospital meets all occupancy criteria.

6. The hospital is subject to base year staffing and food cost target adjustments which reduces the base year Medicaid Cost/Discharge of \$1,350 by \$50 to \$1,300/Discharge.

7. Calculation of the interim all-inclusive Medicaid rate per discharge:

Adjusted Average Cost/Discharge (Base Year)	\$1,300
Times Hospital Cost Index	
Interim Prospective Allowable Rate/Discharge	\$1,655

1.2731

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Step II

Final Settlement for FYE 12/31/84.

ASSUMPTIONS:

1.	<u>Allowable Cost Categories</u>	<u>From 1981 T-19 Cost Report</u>	<u>Allowable Index Increase</u>	<u>1984 Allowable Costs</u>
	Salaries	\$4,000,000	28 %	\$5,120,000
	Fringe Benefits	600,000	30 %	845,000
	Professional Fees (% of Charges)	200,000	24 %	248,000
	Supplies	1,000,000	25.5%	1,255,000
	Utilities	450,000	21 %	544,500
	Depreciation	400,000	-	495,000
	Interest	100,000	-	120,000
	Malpractice Insurance	30,000	-	52,000
	Rents & Leases	-	-	-
	Property Taxes	-	-	-
	All Other	370,000	22.5%	453,250
	<u>Total</u>	<u>\$7,200,000</u>		<u>\$9,132,750</u>

2. Adjusted Allowable Cost Increase = $\frac{\text{Final Settlement Year Costs}}{\text{Base Year Costs}}$

$$\frac{\$9,132,750}{7,200,000} = 1.2684$$

3. Fixed Costs 40%
Variable Costs 60%
Total Costs 100%

4. Settlement Year Total Patient Discharges: 4,800

5. There is no change in patient mix.

6. There are 500 Medicaid discharges, per the fiscal intermediary's audit.
Calculation of the final settlement all-inclusive rate per discharge:

Allowable Change in Rate Per Discharge

$$1.2731 \times \frac{5,100 + [.60 (4,800 - 5,100)]}{4,800} = 1.3049$$

Allowable Rate/Discharge = Base Year Rate/Discharge (As Adjusted) X
Hospital Cost Index

$$\$1,300 \times 1.3049 = \$1,696$$

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Final Settlement due provider subject to cost report audit:

T-19 Discharges X (Final Settlement Rate Per Discharge
- Interim Rate Per Discharge)

500 X (\$1,696 - \$1,655) = \$20,500 due hospital

Step III

Audited Final Settlement Year (FYE 12/84)

Medicaid Inpatient Costs	<u>\$900,000</u>
Medicaid Discharges	500
Medicaid Inpatient Cost/Discharge	<u>\$1,800</u>

Therefore, the hospital would be held to a rate per discharge of \$1,696 (Step II), the lower of Step II or Step III. Hence, the final settlement results in a balance due the provider of \$20,500 by the Medicaid program.

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APPENDIX VIII

Facility	1981 T-19 Utilization Ranking	1981 Med. Ed. Expense Ranking	Total	Combined Ranking
Milwaukee County	4	1	5	1
Milwaukee Mt. Sinai	3	2	5	1
Milwaukee Children's	1	6	7	3
Milwaukee Froedtert	6	4	10	4
Madison UW	9	3	12	5
Milwaukee Family	5	12	17	6
Milwaukee St. Mary's	8	9	17	6
Milwaukee St. Joseph's	12	7	19	8
Milwaukee N.W. General	2	17	19	8
Milwaukee St. Michael	10	10	20	10
Madison General	13	8	21	11
Milwaukee Deaconness	7	16	23	12
Milwaukee St. Luke's	18	5	23	12
Marshfield St. Joseph's	11	15	26	14
La Crosse Lutheran	15	11	26	14
Madison St. Mary's	16	14	30	16
Milwaukee Columbia	19	13	32	17
Madison Methodist	14	19	33	18
Waukesha Memorial	17	18	35	19

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APPENDIX IX

VOLUME ADJUSTMENT FORMULA

$$ACR = HCI \frac{DIS_P + VC + \frac{(DIS_F - DIS_P)}{DIS_F}}{DIS_F}$$

Where:

ACR = Allowable change in the rate per discharge after volume adjustment expressed as a proportion of the prior year rate per discharge. (e.g., 5% = 1.05).

HCI = Hospital Cost Index before any volume adjustments, expressed as a proportion of the prior year rate. (e.g., 5% = 1.05).

DIS_P = Total hospital discharges in the prior year.

VC = Variable cost as a proportion of total cost.

DIS_F = Total hospital discharges in the final settlement year.

The ACR, multiplied by the maximum allowable rate per discharge in the prior year, will determine the maximum allowable rate per discharge for the final settlement year. The maximum allowable rate per discharge for final settlement year will be multiplied by the number of Medicaid discharges in the final settlement year to determine the total maximum allowable reimbursement. The ACR will apply to the prior year's maximum allowable rate per discharge rather than the actual cost per discharge as determined using Medicare standards and principles of reimbursement. (For example, see Attachment A).

Algebraically:

$$TMAR = (ACR) (PYMARD) (MADISF)$$

Where:

TMAR = Total maximum allowable reimbursement.

PYMARD = Prior year maximum allowable rate per discharge.

MADISF = Medicaid discharges in final settlement year.

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